

DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED APRIL 12, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AUDIT

PAUL E. PENDAS, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$17.58. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.state.la.us. When contacting the office, you may refer to Agency ID No. 9191 or Report ID No. 05001977 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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LEGISLATIVE AUDITOR
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March 23, 2006

DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2005, we considered the Department of Social Services' internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget (OMB) Circular A-133.

The Annual Fiscal Report of the Department of Social Services is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the Department of Social Services for the year ended June 30, 2005, we reported findings relating to improper payments in the Temporary Assistance for Needy Families Program (TANF), control weaknesses over the LaCarte Purchasing Card Program, child support escrow fund not reconciled, noncompliance with federal regulations for subrecipient monitoring, noncompliance with eligibility requirements of TANF, control weaknesses over time and attendance data, noncompliance with federal requirements in Vocational Rehabilitation, and insufficient controls over reporting in the Foster Care - Title IV-E Program.

The findings concerning improper payments in TANF, control weaknesses over the LaCarte Purchasing Card Program, noncompliance with federal regulations for subrecipient monitoring, and control weaknesses over time and attendance data have been resolved by management. The remaining findings have not been resolved and are addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2005.

**Child Care Cluster: Noncompliance With
Federal Program Requirements**

The Department of Social Services (DSS) did not comply with certain federal and state requirements for administering the federal child care cluster. The child care cluster is comprised of the Child Care and Development Block Grant (CFDA 93.575) and the Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596) programs. OMB Circular A-133, Subpart C, Section 300(b), requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with grant provisions. Proper administration would include controls for ensuring that expenditures are supported by adequate documentation and that eligibility criteria are met. In addition, child care provider agreements require the provider to keep a daily record of attendance of each child participating in the program, including time of arrival and departure. The provider is also instructed to retain for three years supporting fiscal documents (including attendance records) adequate to ensure that claims for federal funds are in accordance with federal requirements.

Allowable Cost

- For 18 of 25 provider invoices tested (72%), the invoices were not supported by attendance logs. Nine providers did not provide any attendance logs. One of these providers noted that all its records have been thrown away. The attendance logs submitted by the other nine providers were either incomplete or did not agree with the invoices. Examples of incomplete logs included a calendar with the children's names written-in on each day with no arrival or departure times and four monthly attendance logs from one provider where all three children had the same arrival time and the same departure time for each day of the month. Total questioned costs are \$37,931.
- DSS is involved in investigations of several cases where child care providers may have fraudulently charged for children who did not attend day care centers. For these cases, known questioned cost is \$19,501, while likely questioned cost is estimated to be over \$330,000. One case involves a joint investigation by the U.S. Department of Health and Human Services, Office of Inspector General, and the DSS Fraud and Recovery Unit with estimated overpayments totaling approximately \$333,000.
- For two of 30 transactions tested (6.7%), the parish worker did not sign in the place provided to indicate the invoice was approved for payment.

Eligibility

- For three of the 30 children tested (10%), case files did not have documentation verifying the child was age-appropriately immunized in accordance with 45 CFR 98.41(a)(1)(i), Section 6.7 of the State Plan, and department Policy No. 08.C-180.

DSS procedures for validating provider reimbursement requests are deficient as the children's attendance is not verified to supporting documentation (attendance logs). This deficiency may contribute to the large percentage of child care providers that did not maintain adequate attendance records. Considering the large exception rate for attendance logs, the risk exists that significant amounts may not be adequately supported. Over 7,500 providers receive reimbursements totaling in excess of \$100,000,000. In addition, internal controls established for verification of immunization and invoice approval were not followed. Failure to institute sufficient internal control increases the risk of provider error, fraud, and/or abuse.

DSS management should improve its review and monitoring procedures to ensure provider reimbursement requests are accurate and supported. In addition, DSS personnel should follow established controls over the verification of immunization and payment approval. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

**Foster Care - Title IV-E Program: Noncompliance
With Program Regulations**

DSS, Office of Community Services (OCS), did not comply with certain requirements for administering the Foster Care - Title IV-E program (CFDA 93.658). OMB Circular A-133, Subpart C, Section 300(b), requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Audit procedures performed on the Foster Care - Title IV-E program disclosed the following conditions:

- For the fifth consecutive year, tests on the Title IV-E Foster Care and Adoption Assistance Financial Report (ACF-IV-E-1) disclosed that OCS did not remove all unallowable social service costs from the maintenance costs funded by the Foster Care - Title IV-E program. Questioned costs could not be determined because the actual amount of social service costs charged is unknown.
- Seven of 30 clients tested (23.3%) were not placed in fully licensed childcare institutions. The childcare institutions had either provisional licenses or extended licenses because of noncompliance with the state's minimum licensing requirements. The Administration for Children and

Families policy manual guidance provides that children placed in such facilities are not eligible for foster care maintenance payments.

- Four of 30 clients tested (13.3%) were not placed in a foster home or childcare institution that had documentation (criminal record clearances) to verify safety considerations have been addressed as required by 45 CFR 1356.30 (a) and (f).
- Two of 30 clients tested (6.7%) did not receive a judicial determination regarding reasonable efforts to finalize a permanency plan within 12 months of entering foster care as required by 45 CFR 1356.21(b)(2).
- Three of 30 expenditures tested (10%) were not properly authorized. The expenditure authorization documentation was either missing or not properly approved.

OCS personnel did not follow program regulations and existing procedures in the administration of the Foster Care - Title IV-E program. Failure to follow adequate control procedures to ensure compliance with federal regulations may result in disallowed costs. In addition, failure to prepare and submit accurate financial reports increases the risk that future grants payments and/or awards to the department will be based on erroneous information. As a result of the exceptions noted previously, questioned costs totaled \$110,715 (\$75,795--federal funds and \$34,920--state funds).

DSS management should require all employees to adhere to program regulations and existing procedures in administering the Foster Care - Title IV-E program and ensure federal reports reflect only allowable expenditures. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 2-3).

**Temporary Assistance for Needy Families Program:
Noncompliance With Eligibility Requirements**

DSS, Office of Family Support (OFS), did not comply with certain eligibility requirements for administering the Temporary Assistance for Needy Families (TANF) program (CFDA 93.558). OFS uses TANF funds to operate several programs, including the Family Independence Temporary Assistance Program (FITAP).

A review of 30 FITAP client cases disclosed the following conditions:

- For the fourth consecutive year, OFS failed to sufficiently document in four of 30 cases (13.3%) tested, whether each child in the assistance unit lives in the home of a parent or a qualified relative pursuant to 42 USCS 608 (a)(1).
- For the seventh consecutive year, documentation in the test case files was not sufficient to verify the relationship of the caretaker to the minor child

as required by Louisiana Revised Statute 46:231(3)(b) and the TANF State Plan for three of 30 cases (10%) examined.

- For the seventh consecutive year, certain client information in the department's computer databases did not agree with, or was not supported by, documentation in the client's case file. Differences occurred in five of 30 cases (16.7%) examined.
- In two of 10 applicable cases (20%), there was no documentation that the client participated in a Parenting Skills Training Program as required by the TANF State Plan.
- In one of 10 applicable cases (10%), a sanction was required for non-cooperation with Support Enforcement Services in accordance with 45 CFR 264.30 and 264.31, but the client continued to receive monthly benefits.
- In two of 30 cases (6.7%), documentation was not sufficient to verify the residence of the family members receiving benefits.
- For the second consecutive year, documentation in the test case files was not sufficient to determine if income exceeded the benefit amount for one of 30 cases (3.3%) examined. According to DSS policy B-631-1-FTAP, income should be verified at initial application, re-determination, at the midpoint of a 24-month certification period, and when income changes, except when the amount reported by the household indicates ineligibility.

OFS personnel did not follow eligibility regulations and established procedures in the administration of the TANF program. Failure to follow adequate internal control procedures to ensure compliance with federal and state regulations can result in payments made to ineligible clients, payments made in the wrong amounts, or failure to provide benefits to eligible clients. As a result of the exceptions noted previously, questioned costs total \$4,152.

DSS management should require all employees to adhere to eligibility regulations and established procedures in administering the TANF program. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

Child Support Escrow Fund Not Reconciled

For the sixth consecutive year, DSS is not reconciling the Child Support (Title IV-D) Escrow Fund to the client accounts on a periodic basis. Good internal control includes periodic reconciliations of cash accounts (such as the Title IV-D Escrow Fund) to subsidiary records (such as the client accounts). A proper reconciliation would provide management with a basis to ensure that errors and/or fraud are detected in a timely manner and that accounting data are both accurate and reliable. Departmental and contract personnel have made progress on developing a reconciliation process for the

Title IV-D Escrow Fund and expect a final draft of the process to be completed in December 2005.

The Title IV-D Escrow Fund is the clearing account that is used to process child support receipts and payments. Child support receipts from noncustodial parents are deposited into the fund and credited to the accounts of custodial parents. Distributions are then made to the custodial parents and/or to the state General Fund, depending on the status of each parent's account. During fiscal year ended June 30, 2005, total collections and disbursements of the escrow fund were approximately \$318.4 million (\$26.5 million per month) and \$316.6 million (\$26.4 million per month), respectively. The balance in the account at June 30, 2005, is approximately \$3 million.

Failure to reconcile the Title IV-D Escrow Fund cash to subsidiary client accounts could lead to the misuse of funds and increases the risk that fraud and/or computer programming or operating errors could occur and not be detected in a timely manner. A reconciliation would detect errors such as undistributed amounts payable to custodial parents, undistributed amounts payable to the state General Fund, and the failure to post a receipt to a client account.

DSS management should require monthly reconciliations of the Title IV-D Escrow Fund to the client accounts to ensure that the accounting records are both accurate and reliable and that child support receipts and related distributions to both the state and custodial parents have been appropriately recorded. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

**Temporary Assistance for Needy Families Program:
Noncompliance With Program Requirements**

DSS did not comply with certain program requirements for administering TANF (CFDA 93.558). DSS uses TANF funds to operate several programs, including FITAP, Strategies to Empower People (STEP), and TANF Initiatives. OMB Circulars A-87 and A-122 state that costs must be adequately documented, necessary, and reasonable to be allowable under federal awards.

Activities Allowed/Allowable Costs

- In a review of 31 contract payments, seven exceptions (22.6%) totaling \$6,022 were identified in which supporting documentation was not adequate to determine that contract expenditures were properly, accurately, and reasonably charged to the TANF program.
- In a review of 10 transactions of the Developmental and Socialization Activities Program TANF Initiative administered by DSS, OCS, four exceptions (40%) totaling \$488 were identified in which expenditures were made for items not allowed by the Memorandum of Understanding between OCS and DSS, OFS.

- In three of 30 FITAP cases (10%) examined, documentation in the case file for payments totaling \$251 that were made on behalf of the client was insufficient to determine if the payments were made in accordance with OMB Circular A-87, grant regulations, and the TANF State Plan.

Period of Availability

According to the ACF-196 TANF Financial Data Reports for federal award year 2004, the department expended \$17,108,628 of federal fiscal year 2004 grant award on non-assistance expenditures during federal fiscal year 2005, which exceeded the obligated amount of \$16,844,331 by \$264,297. Pursuant to section 404(e) of PRWORA of 1996, unobligated balances from previous fiscal years may only be expended on benefits that meet the definition of assistance at 45 CFR 260.31 and related administrative costs associated with providing such assistance.

Departmental personnel did not follow program regulations and existing procedures in the administration of the TANF program. Failure to follow adequate internal control procedures to ensure compliance with federal and state regulations can result in payments made to ineligible clients and inaccurate payments made to eligible contractors and/or clients. As a result of the exceptions noted previously, questioned costs total \$271,058.

DSS management should require all employees to adhere to program regulations and established procedures in administering the TANF program. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 6-7).

Unlocated Movable Property

The DSS certifications of annual property inventory reported approximately \$1.28 million of unlocated movable property over the past four years. Of that amount, items totaling \$60,120 were removed from the property records because they had not been located for the fourth consecutive year while items totaling \$492,145 are scheduled to be removed if not found within the next year. The department's Office of the Secretary was responsible for \$780,048 (61%) of the total unlocated amount.

Louisiana Revised Statute 39:325 requires entities to conduct an annual property inventory of movable property and report any unlocated movable property to LPAA. Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted.

When conducting its annual physical inventory of movable property, the department could not locate items totaling \$1,279,269, of which computers and computer-related equipment totaled \$1,175,331. The missing items included a network server (\$22,158), computer accessory - battery backup (\$16,847), a computer server (\$14,999), two

computers (each \$13,551), and a disk drive (\$12,816). Annual physical inventory reports disclosed that the department had items totaling \$43,063,820.

Failure to maintain controls over movable property increases the risk of loss arising from unauthorized use of property and subjects the department to noncompliance with state laws and regulations. In addition, because of the nature of services provided by the department, there is an increased risk that sensitive information could be retrieved improperly from the missing computers and/or computer-related equipment.

DSS management should strengthen its procedures for monitoring movable property and for conducting the physical inventory of movable property. In addition, management should devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 8-9).

Lack of Supporting Documentation for Program Expenditures

For the third consecutive year, DSS, Louisiana Rehabilitation Services (LRS), did not maintain sufficient controls to ensure expenditures charged to the Rehabilitation Services - Vocational Rehabilitation Grants to States Program (CFDA 84.126) were properly calculated or supported by adequate documentation at the time of payment. OMB Circular A-133, Subpart C, Section 300(b), requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with grant provisions. Proper administration would include controls for ensuring expenditures are properly calculated and are supported by adequate documentation. In addition, OMB Circular A-87 states that costs must be adequately documented.

Six of 25 (24%) expenditure transactions tested did not have sufficient supporting documentation. Five transactions had no evidence in the clients' case files that supported school attendance and one transaction lacked client verification on receipt of goods. Two of 25 (8%) expenditure transactions were miscalculated, which led to overpayments.

Failure to maintain sufficient control over program expenditures may subject the department to disallowed cost by the grantor agency.

DSS management should strengthen control procedures to ensure expenditures charged to the Rehabilitation Services - Vocational Rehabilitation Grants to States Program are accurate and supported. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 10-11).

Noncompliance With Federal Property Regulations

DSS, Office of the Secretary, did not consistently follow internal controls over movable property acquired with federal funds and therefore is in violation of federal regulations. OMB Circular A-87 defines equipment as an article of nonexpendable, tangible personal

property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the government unit for financial statement purposes or \$5,000. The U.S. Department of Education [34 CFR 80.32(d)(e)] and the U.S. Department of Health and Human Services [45 CFR 92.32(d)(e)] require that property records must be maintained that include a percentage of federal participation in the cost of the property.

Audit procedures performed on seven items acquired in fiscal year 2005 disclosed that none of the items had the percentage of federal participation recorded in the Louisiana Property Assistance Agency (LPAA) system. Although agency personnel record the percentage of federal participation on some property items, this procedure is not done on a consistent basis. For fiscal year 2005, the Office of the Secretary acquired movable property items totaling approximately \$3.3 million including both federal and nonfederal items.

Departmental personnel responsible for tracking movable property failed to adhere to federal regulations regarding equipment acquired with federal funds. Failure to maintain controls over property increases the risk that errors and/or noncompliance could occur and remain undetected.

DSS management should ensure that property acquired for \$5,000 or more is identified by documenting the percentage of federal participation in the LPAA system. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 12).

Access to Electronic Data Processing Not Properly Restricted

DSS does not have sufficient user access controls for the Advantage Financial System (AFS), the Advanced Governmental Purchasing System (AGPS), and the Contract Financial Management System (CFMS). These systems are components of the Integrated Statewide Information System (ISIS). Access to these systems is restricted through the use of passwords and user identification (ID) codes; however, this access was not properly restricted to ensure the integrity of data was maintained. The DSS ISIS USERID Program Policy (Policy 1-13) provides that employees are permitted business-need-only access to data files and functions necessary to perform their duties. The policy also includes written procedures for the timely deletion of user ID codes.

Audit procedures performed on AFS and AGPS/CFMS user IDs disclosed the following:

- Twenty-four of 422 (5.7%) active AGPS/CFMS user IDs were assigned to individuals who had terminated, resigned, retired, or transferred to another agency. The length of time between separation dates and the date that the exceptions were noted ranged from 52 days to 1,102 days.
- Seventeen of 527 (3.2%) active AFS user IDs were assigned to individuals who had terminated, resigned, retired, transferred to another agency, or no

longer had a business need. The length of time between separation dates and the date that the exceptions were noted ranged from 111 days to 785 days.

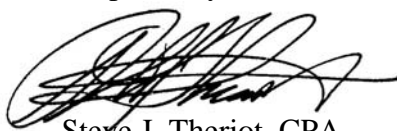
Employees responsible for the issuance and deletion of user IDs did not comply with departmental policy that requires timely deletion of user IDs. Failure to promptly delete user IDs of separated employees increases the risk that unauthorized access to the ISIS systems could occur, data could be compromised, and/or assets could be misappropriated.

DSS management should ensure employees comply with the existing policy so that user ID codes are deleted immediately upon the termination, retirement, or transfer of employees. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 13).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. Findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the department and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

DLB:EFS:PEP:dl

DSS05

Management's Corrective Action
Plans and Responses to the
Findings and Recommendations



State of Louisiana
Department of Social Services
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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

February 9, 2006

Steve J. Theriot, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Child Care Cluster: Noncompliance with Federal Program Requirements

We concur that the Department did not comply with certain federal and state requirements for administering the federal child care cluster program.

The agency has initiated corrective action and issued Corrective Action Memorandum C-069 to Staff on February 1, 2006. The memorandum addresses the findings of the CCDF Legislative Audit for State Fiscal Year 2005. The memorandum is available for review.

In summary the corrective action to be administered will include emphasis on attendance logs in training of Family Day Care Home Providers; review of attendance logs by the agency's Contract Accountability and Review Team (CART); disqualification penalties for providers who do not properly maintain attendance logs; notifying providers in writing who fail to properly maintain attendance logs; staff review on the Payment Processes/Invoices and Eligibility Factors/Immunization; monitoring the case validation process to ensure that all errors cited regarding attendance logs and eligibility have been corrected; and review at quarterly Regional Supervisors' meetings the requirements for attendance logs and eligibility requirements.

Please advise if further information is needed.

Sincerely,

Adren O. Wilson /vse

Adren Wilson
Assistant Secretary

AOW/DDS/LP

cc: Ann S. Williamson
Veda Emerson
Cathy Lockett
David D. Sigue



KATHLEEN BABINEAUX BLANCO
GOVERNOR

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ANN SILVERBERG WILLIAMSON
SECRETARY

March 20, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Foster Care – Title IV-E Program: Noncompliance With Program Regulations

We concur that the Office of Community Services (OCS) did not comply with certain requirements for administering the Foster Care – Title IV-E program.

The March 2006 IV-E-1 quarterly report will reflect the following adjustments:

- Quarterly adjustments effective January 2004 through December 2005 for the reduction in the Title IV-E claim of the social service cost of the residential rate.

The TIPS 4093 report, which reflects the social service cost has been corrected and is currently in use. Residential staff will begin in April 2006 to review the quarterly TIPS 4093 report for accuracy.

- Fiscal adjustments for childcare institutions that were not fully licensed
- Fiscal adjustments for clients tested that did not receive a judicial determination regarding reasonable efforts to finalize a permanency plan within 12 months of entering foster care as required by federal guidelines.

A memo will be sent out to staff in April 2006 to emphasize the need to follow policy and procedures to prevent loss of federal funding.

- A fiscal adjustment for cases tested where expenditure authorization documentation was either missing or not properly approved.

A memo will be sent out to staff in April 2006 to emphasize the need to follow policy and procedures to prevent loss of federal funding.

Steve J. Theriot, CPA
March 20, 2006
Page 2

A letter dated March 25, 2005 was sent to all providers reminding them that verification of the criminal record clearance must be received prior to an employee having contact with the children/youth.

If additional information is needed, please contact Debbie Johnson, OCS Division of Financial Management at 342-2766

Sincerely,

A handwritten signature in black ink, appearing to read "Cathy H. Lockett". The signature is fluid and cursive, with the first name "Cathy" being more prominent.

Cathy H. Lockett, Director
Division of Fiscal Services

C: Ann S. Williamson
 Terri P. Ricks
 Marketa G. Gautreau
 Debbie Johnson



**State of Louisiana
Department of Social Services
OFFICE OF FAMILY SUPPORT**

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March 9, 2006

Steve J. Theriot, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Legislative Audit Finding: Temporary Assistance for Needy Families
Program: Noncompliance with Eligibility Requirements

Dear Mr. Theriot:

We concur that the Department did not comply with certain eligibility requirements for administering the Temporary Assistance for Needy Families Program cited in your letter of March 1, 2006.

The agency has undertaken corrective action to address these non-compliance problems in the following manner:

- Individual cases cited have been reviewed by Supervisory and/or Program Specialist staff. Caseworkers responsible for the errors have been counseled, and where possible, case corrections have been made.
- Where errors resulted in overpayments, referrals have been made to the agency's Fraud and Recovery Section. Please note that there was no impact on the benefit amount 1) in four of the five cases cited for inconsistent information between the JAS and L'AMI systems, 2) in either of the two cases cited for lack of Parenting Skills documentation, or 3) in one of the two cases cited for insufficient residence documentation.
- Corrective Action Memorandum C-069-00, "Findings of the TANF and CCDF Legislative Audit for State Fiscal Year 2005" was issued February 1, 2005. This Memorandum requires review of policy areas addressed in the audit for all staff, mandated training in audit-specific areas conducted by Program Specialists at the quarterly regional supervisors' meetings, slant reviews based on audit findings by the agency's Program Review and Evaluation Section (PRES), and case validation readings focusing on the audit findings.

Please advise if further information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Adren O. Wilson".

Adren O. Wilson, Assistant Secretary

CC: Ann S. Williamson
Cathy Lockett
David D. Sigue



KATHLEEN BABINEAUX BLANCO
GOVERNOR

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ANN SILVERBERG WILLIAMSON
SECRETARY

October 5, 2005

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Child Support Escrow Fund Not Reconciled

We concur that the Department is not reconciling the Child Support Escrow Fund to the client accounts on a periodic basis, and yet it is not because of a lack of effort or desire.

Department staff have continuously worked on this matter since March 2004. At the onset of our efforts to resolve this finding, staff from Support Enforcement Services and the Division of Fiscal Services met regularly to develop a reconciliation process for the escrow account. Presently, they are working directly with RedMane Technology to develop a reconciliation process. Our goal is to accurately reconcile client accounts on a monthly basis.

We regret that this finding was not resolved in SFY 05. We are diligently working to put a satisfactory reconciliation process in place by December 31, 2005.

You may contact me at 342-0863 if you need any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Cathy H. Lockett".

Cathy H. Lockett, Acting Director
Division of Fiscal Services

c: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Robert Bales
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ANN SILVERBERG WILLIAMSON
SECRETARY

March 10, 2006

Steve J. Theriot, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Legislative Audit Finding: Temporary Assistance for Needy Families
Program: Noncompliance with Program Requirements

Dear Mr. Theriot:

Your letter of March 1, 2006 reports audit findings in two major areas: "Activities Allowed/Allowable Costs" and "Period of Availability." Following are our comments and corrective action plans for each area.

Activities Allowed/Allowable Costs

- We concur that seven contract payments reviewed did not have adequate supporting documentation. Recovery of the unsubstantiated payments has been completed on two of the seven contracts, and recovery action is underway in the remaining five contracts. As three of the seven payments cited were for transportation services, the Contract Services Section has expanded procedures to require examination of transport logs during on-site visits, and closer review and comparison of logs submitted with invoices to insure correct billing and payments. Contract Managers within the unit have also been instructed to place more emphasis on thorough examination of all supporting documentation to justify payments on all contracts.
- We concur that expenditures were made in the Developmental and Socialization Activities Program TANF Initiative for items not allowed by the Memorandum of Understanding (MOU) between the Office of Community Services (OCS) and Office of Family Support (OFS). Recovery of ineligible payments has been made from subsequent invoice payments. Both OCS and OFS are placing more emphasis on close examination of documentation to ensure payments made are within the parameters of the MOU.
- We concur that documentation was insufficient to justify support service payments in three FITAP cases. Case workers responsible for the unsubstantiated payments have been counseled, and referrals have been made to the agency's Fraud and Recovery Section to recover questioned costs. In addition, Corrective Action Memorandum C-069-00, "Findings of the TANF and CCDF Legislative Audit for State Fiscal Year 2005" was issued February 1, 2005, which requires review of audit findings for all staff, mandated training, slant reviews by agency's Program Review and Evaluation Section (PRES) and case validation readings focusing on the audit findings.

Steve J. Theriot
March 10, 2006
Page 2

Period of Availability

We concur that during federal fiscal year 2005, the non-assistance expenditures exceeded the obligated amount by \$264,297 on the ACF-196 for federal fiscal year 2004. The overstated amount should have been submitted as assistance expenditures. Corrections to adjust assistance and non-assistance will be made on the March 2006 quarter federal report. Staff have been counseled on the error and the correct procedure for completing the ACF-196 has been reiterated.

Please advise if further information is needed.

Sincerely,


Adren O. Wilson
Assistant Secretary

AOW/DDS/LP

C: Ann S. Williamson
Cathy Lockett
David D. Sigue



KATHLEEN BABINEAUX BLANCO
GOVERNOR

State of Louisiana
Department of Social Services
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ANN SILVERBERG WILLIAMSON
SECRETARY

October 11, 2005

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Unlocated Movable Property

We concur that the Department reported approximately \$1.28 million of unlocated movable property. We also concur that \$60,120 was removed from the property records because they had not been located for the fourth consecutive year. We further concur that \$492,145 is scheduled to be removed in 2006.

The Department is in compliance with Louisiana Revised Statute 39:325 which requires that an annual inventory of movable property be conducted. DSS also complies with Administrative Code 34.VII.313 in that efforts are made to locate movable property which has not been previously located.

In the OS/OM & F, of the \$210,786 scheduled to be removed in 2006, 7 items totaling \$22,455 have been located, leaving 70 items totaling \$188,331 to be removed from inventory if still unlocated by the end of SFY 2006. Specifically mentioned in the finding were a computer server (14,999, 17500-025390) and a computer (\$13,551, 17500-025811), which remain unlocated. The second unlocated computer (\$13,551, 17500-26237) was surplus as untagged and an inventory adjustment was made by LPAA.

After the completion of the SFY 2005 inventory, the OS/OM & F property officer and the IS property coordinator developed an Excel spreadsheet indicating the last known location of all computer equipment. This spreadsheet is updated biweekly and distributed to IS and cost center property coordinators. Pursuant to this procedure, as of September 13, 2005, the total unlocated unlocated property was lowered to \$582,637.

The disk drive cited in the finding as unlocated in the Office of Family Support was tagged separately and should not have been. It was an internal component that came with a computer and should have been included as part of the computer.

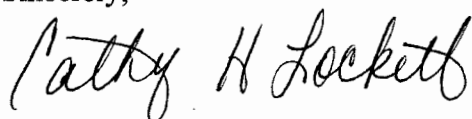
The network server (\$22,158, 26808-059987) and battery backup (16,847, 26808-059989) purchased for LRS and listed in their inventory are currently being used by IS. However, they were not re-tagged when transferred to IS.

Steve Theriot, CPA
October 11, 2005
Page 2

The Department has implemented the use of a new computer transfer form. This form is required for the movement of all computer or computer related equipment and will make tracking of computer equipment easier and more efficient.

Departmental staff in all agencies are committed to monitoring movable property including finding unlocated property as evidenced by the fact that property has been located in all agencies since your audit was performed. Therefore, efforts to locate all movable property in accordance with Administrative Code 34.VII.313 will not cease.

Sincerely,

A handwritten signature in cursive script that reads "Cathy H. Lockett".

Cathy H. Lockett, Acting Director
Division of Fiscal Services

C: Ann Williamson
Lisa Woodruff-White
Terri P. Ricks
Bob Bales
Adren Wilson
Marketa G. Gautreau
James Wallace
Bridget Depland
David Sique
Debbie Johnson
Claire Hymel



KATHLEEN BABINEAUX BLANCO
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ANN SILVERBERG WILLIAMSON
SECRETARY

February 16, 2006

Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Lack of Supporting Documentation For Program Expenditures

Louisiana Rehabilitation Services (LRS) concurs that six of the case records audited lacked adequate support documentation and that expenditure transactions were miscalculated in two case records leading to overpayments.

Support documentation has been obtained in all of the cases that lacked proper documentation. In four of the cases, Counselors have obtained consumer grades for the period in question. The grades have been placed in the consumer's case records to support the payment of transportation. In the fifth case, there was no progress report in the file to verify that a client attended an evaluation center. Documentation has been obtained from the center attended by the consumer. The documentation shows that the consumer was present for the evaluation for which the noted transportation was provided. At such time as the agency is able to obtain the case record from the LRS State Office Building in Harvey, La. (currently closed for hurricane damage repair), this report will be placed into the consumer's case record. In the sixth case lacking support documentation, the Counselor has obtained the consumer's signature on the invoice attesting that the consumer has received the eyeglasses.

The agency has contacted both consumers who received overpayments. The first one has agreed to work with the agency to repay the overpayment. In the case of the second one, LRS has requested reimbursement for the overpayment from the consumer.

In addition to the above-noted corrective action, the Agency will investigate the implementation of a procedure that includes the following:

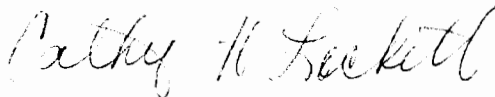
Steve J. Theriot
February 16, 2006
Page 2

1. Printout of a monthly report of all "recurring" client payments.
2. Monthly review and verification by field office staff regarding the validity of the need to continue the payment.
3. Case note documentation in AWARE that the recurring payment has been verified as valid.

The anticipated date for completion of all corrective action is April 10, 2006. The contact person for this finding is Claire Hymel, LRS Assistant Director, 8225 Florida Blvd., Baton Rouge, LA 70806; (225) 925-4131.

If you have any questions or need additional information, please contact Ms. Hymel at the above address/telephone.

Sincerely,



Cathy H. Lockett, Director
Division of Fiscal Services

C: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
James Wallace
Claire Hymel



KATHLEEN BABINEAUX BLANCO
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ANN SILVERBERG WILLIAMSON
SECRETARY

February 16, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Noncompliance with Federal Property Regulations

We concur that the percent of federal participation was not recorded in the Louisiana Property Assistance Agency (LPAA) system on seven items acquired in state fiscal year 2005.

The OM & F Property Manager, IS Property Coordinator, IS Purchasing Agent and staff from the Division of Fiscal Services met so that all staff involved could become familiar with and understand the process for obtaining equipment and the necessity of including the percent of federal participation on applicable purchases. Effective immediately the OM & F Property Manager and IS Property Coordinator have revised their procedures to coordinate with the Division of Fiscal Services to obtain the percent of federal participation and ensure that it is entered into LPAA after payments for purchased equipment are processed. The tagging verification memo has also been revised to include a payment date.

We believe that the corrective action that has been implemented will ensure that all property with federal funds will be identified and consistently documented in the LPAA Protégé System.

If additional information is needed or if you would like details of the procedural changes mentioned above you may contact Bridget Depland at 342-4148 or bdepland@dss.state.la.us.

Sincerely,

Cathy H. Lockett, Director
Division of Fiscal Services

c: Ann S. Williamson
Lisa Woodruff-White

Terri P. Ricks
Bridget Depland

Duane Fontenot



KATHLEEN BABINEAUX BLANCO
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ANN SILVERBERG WILLIAMSON
SECRETARY

January 26, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Access to Electronic Data Processing Not Properly Restricted

We concur that access to AFS, AGPS and CFMS was not properly restricted to ensure the integrity of the systems was maintained. As stated in your finding DSS Policy 1-13 provides written procedures for the timely deletion of user ID codes to ensure integrity of the systems. The Office of Management and Finance, Division of Support Services has relied on agency HR managers, supervisors and ISIS office contact persons to comply with that policy and procedure by providing notification when an employee status change has occurred that would necessitate an update to that employee's User ID status. In order to assure compliance with the policy and that changes are processed more timely OMF Division of Support Services staff will:

- 1) Issue a department wide policy reminder message every 6 months;
- 2) Conduct an annual coordination session for agency ISIS office contact persons and HR officers;
- 3) Determine when information has not been provided as required by policy by cross checking the Active User ID Listing to the weekly GroupWise deletions report from the Information Technology Division, monthly separations reports from each agency and quarterly active employees BUNDL report, then reminding the appropriate agency personnel when status change documentation is required;
- 4) Once obtained, status change information will be acted upon promptly.

If you need additional information, you may contact Bridget Depland, Director Division of Support Services at 342-4148.

Sincerely,

A handwritten signature in cursive script, reading "Cathy H. Lockett".

Cathy H. Lockett, Acting Director
Division of Fiscal Services

c: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Bridget Depland